

**SALES TAX RULES COMMITTEE
PRELIMINARY AGENDA**

The Committee convenes on Thursday, June 19, 2014, at 1:30 p.m. at:

Idaho State Tax Commission
Room 1CR5 / Plaza IV / 800 Park Blvd / Boise, Idaho

1. Welcome & Introductions
2. Negotiated Rulemaking Discussion
 - a. **Rule 022.** Drop Shipments – A drop shipment is a transaction in which a purchaser buys a product from a retailer but the product is shipped directly to the purchaser from the manufacturer or wholesaler. There has been feedback from the public over time that the rule as written can be confusing. The purpose of amending the rule would be to clarify the responsibilities of both in-state and out-of-state retailers, wholesalers, and manufacturers in a drop shipment situation.
 - b. **Rule 049.** Warranties and Service Agreements – There has been confusion expressed by taxpayers on how to tax certain aspects of extended service agreements. Of particular concern are agreements in which consumables are provided on a routine basis (i.e. toner cartridge for a leased copier) and overage charges when the customer exceeds a certain amount of usage of the property in question.
 - c. **Rule 063.** Bad Debts & Repossessions – When a retailer makes a sale, the sales tax is computed at that time, collected from the customer, and paid to the Tax Commission. If the sale is made on account, the retailer must still remit the entire amount of tax at the time of the sale. If the purchaser later defaults on some or all of its account, the retailer may claim a refund of the portion of sales tax that has not yet been paid by the purchaser. In claiming a refund, the calculation of the amount of remaining tax can be rather complicated factoring in the down payment, payments made, interest, additional finance charges, sales price of the property if repossessed and sold again, etc. The complicated calculations can be quite difficult for taxpayers to navigate and for the Tax Commission to review. Consequently, there will be a review of this rule with the goal of simplifying the calculation where possible. Of particular note, an alternative method of calculating the refund claim has been proposed and submitted by the owner of Fairly Reliable Bob's, a local motor vehicle dealership. This proposal will be one of the focal points of the discussion.

- d. **Rule 100.** Prescriptions – Address in rules three areas of confusion raised by representatives from the optometry industry and eyeglass/contact sellers: 1) taxability of certain services including dispensing, fitting, eye exam, and lab fees, 2) the calculation of sales tax owed including issues with uncertain insurance reimbursements and co-pays and, once calculated, who pays it, and 3) issues related to businesses on the borders with states that do not tax the sale of prescription eyeglasses and contacts.
- 3. Any Additional Items for Discussion?
- 4. Next Meetings
 - a. June 26 – Rule 027 Only
 - b. July 17
- 5. Adjourned

For more information, please contact the Committee Chair, or the Rules Coordinator at sherry.briscoe@tax.idaho.gov or at 208.334.7544. All agendas and rules related documents are posted on our website under the appropriate committee.